

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE APPLICATION OF)
AVISTA CORPORATION FOR AN ORDER) CASE NO. AVU-U-04-2
AUTHORIZING THE OFFERING, ISSUANCE)
AND SALE OF DEBT SECURITIES NOT TO)
EXCEED \$250,000,000 AND NOT MORE THAN) ORDER NO. 29531
3,000,000 SHARES OF COMMON STOCK.)**

On April 12, 2004, Avista Corporation (Avista) filed an Application with the Idaho Public Utilities Commission for an Order authorizing Avista to offer, issue and sell up to \$250,000,000 of unsecured fixed or floating rate bonds, notes and other indebtedness and not more than 3,000,000 shares of Avista's common stock. On May 12, 2004, the Commission granted Avista's Application in Order No. 29499.

On May 16, 2004, the Commission received a request from Avista to increase this authority from 3,000,000 shares to 10,000,000 common shares and clarify its authority to issue common shares. The amendments are needed to simplify pricing of debt if the convertible option is used and to allow the independent issuance of common shares up to \$250,000,000. The Commission, having fully considered the applicable laws and rules, grants Avista's request.

FINDINGS OF FACT

Avista Corporation is a Washington corporation qualified to do business within the State of Idaho and is a public utility engaged in the generation, purchase, transmission, distribution and sale of electric energy and the purchase, distribution and sale of natural gas.

Avista requests authorization to offer, issue and sell up to \$250,000,000 of unsecured fixed or floating rate bonds, notes and other indebtedness, which may be converted into or be exchangeable for up to 10,000,000 shares of Avista's common stock, including, without limitation, any refunding, extension, renewal or replacement of any of the foregoing (hereinafter called the "Securities").

Avista generally states in its Application that the net proceeds will be used for one or more of the following purposes:

- (a) The improvement or maintenance of its service;
- (b) The discharge or lawful refunding of its obligations;

- (c) The reimbursement of moneys actually expended for these purposes from income or from other moneys in the treasury not secured by or obtained from the issue, assumption or guarantee of securities; or
- (d) Any other purpose approved by the Commission or authorized by law.

All terms of issuance will be negotiated at the time of offering. Avista will only enter into transactions where the all-in cost is competitive with then-existing market prices of similar transactions. No person has received or will be entitled to receive from Avista any fee for: (1) services in connection with the consummation of the issuance and sale of the Securities, other than fees for underwriting, private placement, legal, accounting or similar professional or technical services, or (2) for services in securing underwriters, sellers or purchasers of securities.

Avista will file information pertaining to the types of issuances to be made and the expected terms as soon as practical prior to the issue, but no later than the date of issuance. Avista acknowledges that for ratemaking purposes, the determination of capital costs, capital structure and any associated ratemaking decision is reserved for the appropriate proceeding.

As a condition of this approval, Avista shall file an annual status report with the Commission showing all actual and proposed activity with this authority. Avista will file all final documents from the issuances with the Commission. Avista will retain documentation showing the reasonableness and cost effectiveness of all issues, refunding, replacements, conversions or exchanges. These filings are informational filings and the authority granted to Avista under this initial approval will be continual.

CONCLUSIONS OF LAW

The Commission finds that Avista is a gas corporation within the definition of *Idaho Code* § 61-117, an electric corporation within the definition of *Idaho Code* § 61-119 and a public utility within the definition of *Idaho Code* § 61-129. Therefore, the Commission has jurisdiction over this Application pursuant to the provisions of *Idaho Code* § 61-901 *et seq.* The Commission further finds that the Application reasonably conforms to Rules 141 through 150 of the Commission's Rules of Procedure (IDAPA 31.01.01.141-150).

The Commission finds that the proposed issuance is for a lawful purpose and is within Avista's corporate powers. However, this is only a general approval and is not a finding of fact or a conclusion of law that the particular use to which these funds are to be put is approved by this Order. The issuance of an Order authorizing the proposed issuance does not

constitute agency determination/approval of the type of financing or the related costs for ratemaking purposes. The Commission does not have before it for determination in this case and, therefore, does not determine the effect of issuance on rates to be charged by Avista for gas or electric service to consumers in the state of Idaho. The Commission further finds that the proposed transaction is in the public interest and a formal hearing on this matter would serve no public purpose.

All lawful fees have been paid by Applicant as provided by *Idaho Code* § 61-905.

ORDER

IT IS THEREFORE ORDERED that Avista Corporation be, and the same hereby is, authorized to offer, issue and sell up to \$250,000,000 of unsecured, fixed or floating rate bonds, notes and other evidences of indebtedness, which may be convertible into or exchangeable for shares of Avista's common stock, but also to offer, issue and sell up to and including the 10,000,000 shares of common stock in connection with any such convertible debt or independent of any debt offering. In the event of a conversion from debt to equity, the maximum dollar amount of the converted shares would have a limit of up to \$250,000,000.

IT IS FURTHER ORDERED that the Applicant is hereby authorized to issue the Securities in the manner and for the purposes described in the Application with continuing authority to refund, extend, renew or replace the same without further Order of the Commission, provided that the fees, interest rates and expenses charged or incurred in connection with any transactions entered into under the authority of this Order, and any refunding, extension, renewal or replacement thereof, are competitive with market prices for similar transactions.

IT IS FURTHER ORDERED that Avista shall notify Staff of the proposed issuance(s) of the Securities and any subsequent changes to the terms with Staff upon issuance. This informational filing should be made seven (7) days, or as soon as possible, prior to the issuance.

IT IS FURTHER ORDERED that Avista shall file, as soon as they become available, the following:

- (a) The "Report of Securities Issued" required by 18 CFR 34.10;
- (b) Verified copies of any Agreement entered into pursuant to this Order; and
- (c) An annual verified statement setting forth in reasonable detail the outstanding balances and disposition of the proceeds during each year of the Agreements.

IT IS FURTHER ORDERED that the foregoing authorization is without prejudice to the regulatory authority of the Commission with respect to rates, utility capital structure, service, accounts, valuation, estimates for determination of cost or any other matter which may come before this Commission pursuant to its jurisdiction and authority as provided by law.

IT IS FURTHER ORDERED that nothing in this Order and no provisions of Chapter 9, Title 61, *Idaho Code*, or any act or deed done or performed in connection therewith shall be construed to obligate the State of Idaho to pay or guarantee in any manner whatsoever any security authorized, issued assumed or guaranteed under the provisions of Chapter 9, Title 61, *Idaho Code*.

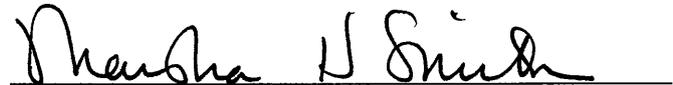
IT IS FURTHER ORDERED that issuance of this Order does not constitute acceptance of Avista's exhibits or other material accompanying the Application for any purpose other than the issuance of this Order.

THIS IS A FINAL ORDER. Any person interested in this Order (or in issues finally decided by this Order) or in interlocutory Orders previously issued in this Case No. AVU-U-04-2 may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order or in interlocutory Orders previously issued in this Case No. AVU-U-04-2. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho, this 22nd
day of June 2004.



PAUL KJELLANDER, PRESIDENT



MARSHA H. SMITH, COMMISSIONER



DENNIS S. HANSEN, COMMISSIONER

ATTEST:



Jean Jewell
Commission Secretary

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